

W 616851

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203695



43 RUE DU RHONE
1204 GENEVA, SWITZERLAND

30TH FLOOR
333 SOUTH GRAND AVENUE
LOS ANGELES, CALIFORNIA 90071-1543

200 PARK AVENUE
NEW YORK, NEW YORK 10168-4193

35 WEST WACKER DRIVE
CHICAGO, ILLINOIS 60601-9703

(312) 558-5600

FACSIMILE (312) 558-5700

www.winston.com

21 AVENUE VICTOR HUGO
75116 PARIS, FRANCE

1400 L STREET, N.W.
WASHINGTON DC 20005-3502

PETER J. KELLY
(312) 558-7929
pkelly@winston.com

April 17, 2002

David Weigert, Esq.
ENVIRONMENTAL ENFORCEMENT SECTION
P. O. Box 7611
Washington, DC 20044-7611

RE: Kin-Buc Landfill Superfund Site
Edison, New Jersey

Dear Mr. Weigert:

This is an offer by SC Holdings, Inc., to settle on behalf of itself, its predecessors and affiliates, all issues between itself and the United States Environmental Protection Agency. This offer is not made because SC Holdings, Inc., believes that it has any liability whatsoever for the Kin-Buc Landfill Superfund Site. In fact, SC Holdings, Inc.'s parent, Waste Management, Inc., is four times removed from any liability creating activities involving the Kin-Buc Landfill. We think it is highly probable that no current Waste Management, Inc. employee, officer, director, or even shareholder was connected to the company 25 years ago when SCA Services of Edison, Inc. and Wastequid, Inc. formed a partnership to haul waste to the Kin-Buc Landfill. Nonetheless, the company understands the costs of defending even the most outrageous allegations. As the Context set forth below makes clear, the Company's wish is that its settlement with the U.S. EPA protects the Company from ever having to revisit the past at the Kin-Buc Landfill.

CONTEXT

In 1975, with locations for the disposal of bulk liquid wastes diminishing, SCA Services of Edison, Inc., a wholly-owned subsidiary of SCA Services, Inc. and Wastequid, Inc., a wholly-owned subsidiary of Scientific, Inc., formed a partnership ("the Earthline Partnership") to haul waste to the Kin-Buc Landfill. From September of 1975 until April of 1976, the Earthline Partnership hauled substantial quantities of bulk liquid waste to the Kin-Buc Landfill for disposal by Kin-Buc, Inc. The site was among the last landfills on the East Coast to accept bulk liquid waste for disposal and its use was actively encouraged by the then New Jersey Department of

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Environmental Protection and the United States Environmental Protection Agency. The site, which had operated for decades as a solid waste disposal facility, was closed to bulk liquid waste in the Spring of 1976, and closed to all waste shortly thereafter.

In 1979, the United States sued several SCA Services, Inc. subsidiaries ("SCA") and several Kin-Buc, Inc. related entities pursuant to the Clean Water Act seeking remedial activity at the Kin-Buc Landfill. In 1980, SCA was dismissed from the suit because the Clean Water Act regulated only owners and operators. The suit "morphed" into a Unilateral Administrative Order ("UAO") after Congress enacted the Comprehensive Environmental Response Compensation and Liability Act ("CERCLA"). The UAO was issued to several SCA Services, Inc. entities, Kin-Buc, Inc. related entities, and individuals involved with both. Following issuance of the UAO, the SCA related parties and the Kin-Buc related parties sued each other to determine who would be responsible for what percentage of the work required by UAO. That suit was settled in early 1986. The settlement provided for the Kin-Buc related entities to pay for 75% of Kin-Buc response costs and the SCA entities to pay for 25% of response costs. In connection with that settlement, SCA acquired 100% of the outstanding shares of Wastequid, Inc., and thereby became sole owner of the Partners in the Earthline partnership.

In 1988, the United States Environmental Protection Agency elected to recover its outstanding response costs of \$5,000,000 from most of the Kin-Buc arrangers. Neither the SCA entities nor the Kin-Buc entities were permitted to participate in the settlement. As a condition of the settlement, EPA essentially forfeited its ability to pursue those parties for any other Kin-Buc response costs. The SCA entities objected to the settlement terms on the grounds that they could be construed to bar SCA from pursuing the settlers for contribution. The United States Environmental Protection Agency, the Department of Justice, and the judge who approved the agreement all acknowledged that the settlement agreement did not bar SCA's contribution claims.

From the late 80's through the early 90's pursuant to the 1986 settlement agreement, the Kin-Buc entities took the lead for implementing the requirements of U.S. EPA's

In October of 1984 Waste Management, Inc. a publicly traded company, had acquired all of the outstanding shares of SCA Services, Inc. (also a publicly traded company and then the third largest waste management company in the United States).

In July of 1998, USA Waste Services, Inc., acquired all of the outstanding shares of stock of Waste Management, Inc., and changed its name to Waste Management, Inc.

The actually liable SCA Services, Inc. subsidiary, SCA Services of Edison, Inc., changed its name to SCA Services of Passaic, Inc. in November of 1976, and changed its name to Chemical Waste Management of New Jersey, Inc. in July 1987. Chemical Waste Management of New Jersey, Inc. was dissolved on December 16, 1999.

As mentioned above, Wastequid, Inc., was acquired by SCA Services, Inc., in 1986 and was subsequently merged into CWM Consolidation Sub Inc., in October of 1994. CWM Consolidation Sub, Inc., dissolved on December 31, 1995.

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original UAO and the several amendments thereto. The parties funded the work in accordance with their agreed upon shares (75/25) and also used money recovered in cost recovery litigation. Then in 1994, the Kin-Buc parties slowed the progress of the remedial work.

In retrospect, it appears that sometime in 1994 Transtech Industries, Inc. decided that it would not pay for further response action at Kin-Buc, sued the SCA entities to rescind the 1986 settlement agreement, and ceased any role in the remediation of Kin-Buc. U.S. EPA then requested that the SCA parties take over the work. The SCA parties completed the work required by the UAO.

In 1997, the SCA entities, the Kin-Buc entities, and various other responsible parties who were involved in cost recovery litigation finally resolved all of their outstanding claims. In sum, the Kin-Buc entities retained no further obligations for remedial activity at Kin-Buc Landfill, the other responsible parties reimbursed SCA for some of its past costs and agreed to pay a percentage of future costs, and SCA retained the obligation to complete operation and maintenance activities at the site for the post-closure period.

THE CLAIMS

Approximately 2 years ago, you advised SC Holdings, Inc. (successor by statutory merger to SCA Services, Inc. on December 31, 1999), that the federal government had claims arising from violations of the terms of the UAO pursuant to which EPA's Operable Unit 1 and Operable Unit 2 remedies were implemented at the Kin-Buc Landfill. For most of the following period, SC Holdings, Inc., and related companies, have been signing tolling agreements while the government pinpointed the violations which were the subject of its claims and the amount of money to be demanded from SC Holdings, Inc.

Later, you advised that the government also had a \$4,000,000 past cost claim representing EPA expenditures since its 1988 settlement with most of the responsible parties. On July 19 of 2001, you presented some details regarding the calculations of statutory maximum penalties for violations of the 1990 Unilateral Administrative Order (pursuant to which the Operable Unit 1 remedy was implemented). All of those violations are associated with delays in completion of the work while the Kin-Buc entities controlled the site and before U.S. EPA asked the SCA entities to complete the work. You were unable to make a demand to resolve these alleged violations, but requested more information from SCA about events which occurred more than seven years ago in order to formulate a demand. By letter of October 23, 2001, I provided a summary of the actions taken in 1992 - 1994 to gain access to some of the property on which the remedy was implemented. I also provided substantial documentation regarding those activities.

We hope this settlement offer will negate the need to resurrect additional information, which is largely in the possession and control of Transtech Industries, Inc. In the course of our two years of discussions, you have never made any mention of any environmental harm that occurred as a result of the alleged delays in completion of Operable Unit 1 activities.

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With respect to claims for penalties for violations of the UAO as amended in 1992 in connection with the implementation of Operable Unit 2, I have previously provided lengthy comments on the merits of that claim. In short, the Operable Unit 2 Record of Decision ("OU2 ROD") determined that no further action was required to remediate Mound B. SC Holdings, Inc. encountered non-hazardous drum carcasses in portions of Mound B while installing an effluent discharge line from the wastewater treatment plant to the Raritan River. EPA then requested that SC Holdings, Inc. dig test pits in Mound B in a search for carcasses. SC Holdings, Inc. declined. EPA then went on a search for carcasses in Mound B and located a few random decayed carcasses. In February 1999, EPA wrote a letter to SC Holdings, Inc. citing EPA's own 1992 UAO as authority for requiring SC Holdings, Inc. to exhume carcasses from Mound B. SC Holdings, Inc. responded that such a demand could be made only if the OU2 ROD were amended, and that digging in Mound B was frivolous because Mound B was known to have accepted municipal refuse before 1980, and it is common knowledge that drums were disposed in landfills before 1980. See my letter of May 11, 1999 to Walter Mugdan (copy attached for your convenience). Remarkably, in our meeting on July 19 last year, we were shown a draft Explanation of Significant Differences ("ESD") which would justify EPA's four-year old carcass hunt after the fact. By letter dated October 1, 2001, you provided a copy of the Explanation of Significant Differences, which has not yet been subjected to public comment. In your letter, you characterized the difference between "no action" and a drum exhumation as "significant" but not "fundamental," and express confidence that the Court will defer to EPA. I will not repeat the arguments provided previously on the array of NCP inconsistencies which pervade the record. I assume my client's previous submissions are in the record. Let us review the chain of events:

1. EPA concludes that no further action is required in Mound B.
2. SC Holdings encounters non-hazardous drum carcasses in garbage while excavating for an effluent pipeline.
3. EPA finds "anomalies" consistent with metal objects in Mound B.
4. EPA demands that SC Holdings investigate the anomalies.
5. SCA declines, (noting, among the vast number of reasons, that random carcasses would almost certainly be found mixed in with waste disposed before 1980).
6. EPA digs test pits, finds drum carcasses and tosses most of them back into the hole!
7. EPA demands that SC Holdings return to Mound B to retrieve the carcasses that EPA tossed back into the hole and any others encountered in the process.

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8. As a gesture of good faith, SC Holdings returned to Mound B, retrieved EPA's carcasses, and encountered not a single intact drum.
9. EPA insists that SC Holdings pay penalties and then issues the ESD concluding that digging for drums is not fundamentally different from no action.

This episode is not even close to NCP compliant. We continue to believe that this order of things makes EPA's claims un-prosecutable. Nonetheless, EPA suggested \$200,000 in penalties to resolve its claims that the drum hunt at Mound B was delayed.

Finally, EPA claims \$6,000,000.00 for its past response costs and interest. Until several months ago, EPA had never demanded a "specified amount" from SC Holdings. Hence, interest could have begun to accrue only within the past few months. See 42 U.S.C. §9607(a). Notably, U.S. EPA appears to be pursuing no other Respondent for violations of its Unilateral Administrative Orders or its past response costs. Further, there has been no consideration provided for the huge orphan share attributable to those who disposed of waste at the Kin-Buc Landfill and Mound B for the four decades prior to 1975. There is no evidence that any entity affiliated with SCA disposed in Mound B.

THE OFFER

As noted above SC Holdings, Inc. proposes herein to resolve all outstanding issues arising from the Kin-Buc Landfill. These include:

1. PCBs and Sediment and Wetlands. Based on recent discussions between our clients, these issues appear capable of ready resolution.
2. Releases. In connection with any settlement of EPA's current allegations, SC Holdings, Inc. will need to be released from any claims for violations of the UAO, as amended, issued in connection with the remediation of the Kin-Buc Landfill. Further, SC Holdings seeks to be released from any claims for future U.S. EPA oversight costs. We believe this to be profoundly reasonable in light of the fact that there are hundreds of responsible parties who have never been pursued for their contributions to the conditions which required response at Kin-Buc. Aggregate costs at Kin-Buc will approach \$100,000,000 by the time the operation and maintenance period has concluded. Of this, SC Holdings, Inc., successor to the parent of a waste hauler, will have paid \$34,000,000 (or roughly 34%) of total site costs. That is the

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largest percentage attributable to a waste transporter at any of the many sites involving multiple parties in the history of CERCLA. Therefore, notwithstanding the rough justice to which those who are subjected to Superfund enforcement are accustomed, any other result is unconscionable.

3. Riverfront Enhancement. SC Holdings, Inc., will implement the final plan for Mound B and complete the riverfront enhancement consistent with Township of Edison Mayor George Spadaro's vision for the Raritan riverfront. As currently envisioned, this plan will cost SC Holdings approximately \$750,000. The operating and maintenance activities for Mound B and the riverfront contemplated in the OU2 ROD have a net present value of \$250,000. EPA should treat the incremental costs of \$500,000 as a Supplemental Environmental Project ("SEP") consistent with its policy.
4. Operating and Maintenance. SC Holdings, Inc. will continue to assume responsibility for operating and maintaining the Kin-Buc remedy. The net present value of that future work is \$17,000,000.
5. Payments. SC Holdings, Inc. will reimburse EPA for \$449,000 of its response costs. This is in addition to the \$500,000 value of the SEP. In sum, SC Holdings is offering to settle EPA's claims for \$949,000. If you sincerely believe that SCA's conduct merits payment of a penalty, we suggest that some small portion of the SEP value be used to offset the claimed penalty.
6. Press Release. There will be no press release.
7. Issues involving potential Natural Resource Damage ("NRD") claims must be resolved. Recently when you indicated that EPA would also make claims relating to NRD at Kin-Buc, I asked that any such matters be included as part of this settlement. The Company is making this offer without a complete understanding of the government's demand despite that doing so will prejudice its negotiating position.

SC Holdings, Inc. is a wholly-owned subsidiary of Waste Management, Inc. Waste Management Inc.'s predecessors and subsidiaries have paid hundreds of millions of dollars to remediate sites at which various governments have determined wastes were previously managed improvidently. As a "usual suspect" Waste Management has observed the Superfund program evolve over the past 21 years from a program that was heavily enforcement oriented to

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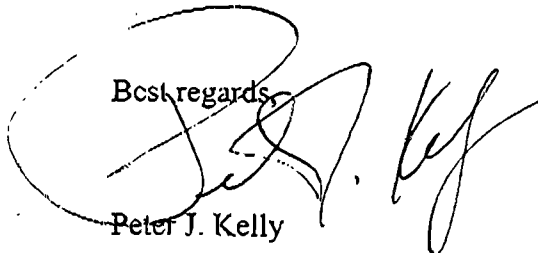
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a program that utilizes the experience of the "usual suspects." Waste Management's subsidiaries are both significant responsible parties at some sites (i.e., owner/operators) and de minimis or de micromis parties at others. No matter what the company's predecessors' activities caused the company's subsidiaries' role to be, Waste Management subsidiaries pay their fair share. At Kin-Buc, it seems the company has already paid more than a "fair share." We look forward to hearing from you.

Best regards,


Peter J. Kelly

PJK:bc

cc: Steve Joyce